

## **Voices of Beneficiaries: Early Experiences with the Medicare Drug Benefit**

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## Introduction

This paper highlights early experiences of Medicare beneficiaries with the new Medicare Part D prescription drug benefit. It is part of a broader and ongoing study based on in-depth interviews with 35 diverse beneficiaries in four cities: Baltimore, Lincoln, Miami, and Sacramento. For more about this project, please refer to the description at the end of this paper.

Beginning this year, all people on Medicare – seniors and younger people with permanent disabilities – have access to a voluntary prescription drug benefit provided by private plans that contract with Medicare. These Medicare Part D plans include stand-alone prescription drug plans that supplement the traditional fee-for-service Medicare program, and Medicare Advantage prescription drug plans, such as HMOs or PPOs. Because the new drug benefit is voluntary, Medicare beneficiaries also have the option to keep the drug coverage they have, such as through an employer plan, or may choose to go without drug coverage at all, although this could result in a penalty for late enrollment.

Nearly four months after the Medicare drug benefit went into effect, the Centers for Medicare & Medicaid Services report that about 30 million beneficiaries have drug coverage, 20 million of whom are enrolled in Part D plans. Approximately seven million of those with coverage through Part D plans signed up individually, but most either were auto-assigned to a Part D plan (including people dually eligible for Medicare and Medicaid) or kept the coverage they had under a Medicare Advantage plan without having to make an affirmative choice for 2006. Based on these estimates, at least six million people on Medicare do not have what the government considers “creditable” drug coverage and have not yet signed up for a Medicare Part D plan.

Decisions about whether to enroll and how to choose among the available plan options will be ongoing concerns, both for people who become eligible for Medicare during the year and those currently enrolled who might want to switch plans at the end of the year. This paper explores the decision-making process and the factors that influence decisions about enrolling in Medicare Part D plans, as well as beneficiaries’ early experiences and future concerns related to their prescription drug coverage. The findings are based on conversations held in March 2006 with a diverse group of 21 Medicare beneficiaries – six of whom chose to enroll in a stand-alone Part D plan, six who are enrolled in a Medicare Advantage drug plan (four of whom were automatically enrolled), five who have creditable drug coverage through an employer or the military, and four who have not enrolled in a Part D plan. Below are their stories.

## The Enrollment Decision

**Some beneficiaries who enrolled in a Part D drug plan were eager to sign up as soon as possible, while others felt pressured to enroll by the late enrollment penalty.** Some of those who lacked drug coverage perceived they could save money and have more security by enrolling in a Medicare drug plan. This was true for Sonia in Baltimore, who had been spending \$200 per month out-of-pocket for drugs in 2005, and felt “something had to change.” Others enrolled not because they felt they needed coverage right away but because they felt pressured by the late enrollment penalty if they waited to enroll after May 15. This is true of Martha in Lincoln, who said she “would not have sought out a plan if [I] hadn’t been forced into it by the penalty.” Martha decided to pick a Medicare drug plan offered by the company that sold her Medigap policy rather than compare plans, knowing she could switch drug plans later if she needed to. For Martha the important thing was to “get into the system.”

**Beneficiaries who were in a Medicare Advantage plan in 2005 tended to stay with that plan for 2006. Most did not “choose” to enroll, instead describing the enrollment process as automatic.** Some recalled receiving letters from their plans that their new drug coverage would take effect in January. But Virginia of Sacramento was not aware that she had been auto-enrolled in a drug plan until she received a bill from her Medicare Advantage plan with a higher premium than she paid before. She was upset by the higher cost and considered dropping the coverage, but her pharmacist convinced her to keep it.

**Knowing they could stay in their employer plans rather than enroll in a Part D plan was a relief to some beneficiaries.** A number of the beneficiaries did not need to choose a Part D plan because they already had creditable coverage – coverage as good as or better than what Medicare drug plans are offering – from their former employer. These beneficiaries know they can switch into a Medicare drug plan at a later point if they lose what they have and pay no penalty. This includes Robert from Sacramento who is satisfied with his retiree plan and was glad to learn he did not need to switch. Some recalled receiving letters from their former employers encouraging them to stick with their plans. This is the case with Luen in Sacramento who decided not to enroll in a Part D plan based on a newsletter from her former employer that stated former employees who already have drug coverage did not need to choose a Part D plan. Luen takes comfort in knowing that she is with the same drug plan as before, since being able to maintain the status quo was important to her.

**Some beneficiaries say they intend to enroll but are waiting until just before the enrollment period ends.** This includes Darlene from Lincoln, who wants to enroll in a Part D plan but is waiting until early May, and also has not been able to talk with anyone about her options. She has already selected her plan after reading about it in a brochure but would like to talk with her pharmacist first before making her final decision. Darlene says she knows she needs to enroll by May 15, so was planning to sign up soon.

**Some beneficiaries who say they don’t need drug coverage, especially those with somewhat negative impressions about the drug benefit, have decided not to enroll.** Some are relatively healthy and say they are able to get what drugs they need through other sources. Marilyn from Miami is one of these beneficiaries. Because she only takes one or two medications regularly for her blood pressure, she thinks she will be fine without a Part D

plan. Had she received results from a recent bone density scan which required her to take additional medications, she says she might have made a different choice. For now, though, she can obtain her medications at low cost through a program at a local hospital. She knows there is a penalty if she changes her mind and later decides to enroll in a Part D plan, but she figures “you do not need to pay the penalty if you never enroll.” Lorraine in Baltimore also feels little pressure to choose a Part D plan now since her former employer, a doctor, gives her free samples of the few medications she takes. Ralph, also from Baltimore, gets his medications free through a drug assistance program sponsored by a pharmaceutical company, so he thinks he is better off not enrolling in a Part D plan.

**Some looked into enrolling in a Part D plan, but got discouraged by the number of plans and were disappointed by their options.** Lorraine in Baltimore does not intend to enroll primarily because she finds her choices overwhelming and expensive. She wants Medicare to “make some changes” first and reduce the number of plans they offer, lower prices, and cover all the medications beneficiaries need. She is aware of the late enrollment penalty but says, “I am alright for a while. I’ll maintain my status quo until changes are made [to Medicare Part D].” Ralph in Baltimore says he will not join a Part D plan because he feels they are a “rip off.” He says he could not find a plan under \$30 a month with a low deductible, and that premium amount is just too much for him because he and his wife live on a limited income.

## How People Chose Their Medicare Drug Plan

**Only a few beneficiaries felt comfortable in their ability to choose a Part D plan on their own; most sought advice from a variety of sources, including Medicare representatives, plan representatives, health care providers, family members, and friends.** Yet rarely did any seek advice from more than one or two sources. Malcolm and Rose in Miami called two or three different plans and had representatives come to their home to explain them. Knowing they wanted to stick with an HMO, they chose one that was highly rated in a satisfaction survey. Barry in Miami turned to his friend who is a dentist, while Doris in Baltimore relied on her caseworker at the health clinic for the homeless where she goes for medical care. Virginia in Sacramento and Darlene in Lincoln asked their pharmacists for advice, while Dorothy, also in Lincoln, had her nephew who happens to be an insurance agent choose a plan for her. Some, like Luen in Sacramento, said their pharmacist or physician was reluctant, or simply not allowed, to help them select a specific plan.

**While many said they were generally aware that Medicare offered assistance with enrollment through the 1-800-Medicare telephone hotline and Medicare.gov, few had direct experience using these resources to help them pick their drug plan.** While most said they received and kept their *Medicare and You* handbook, they didn’t use it to help them choose a drug plan because they found it too general to be really helpful. Few said they had heard about the Medicare Prescription Drug Plan Finder website tool or the state health insurance program counselors that offer one-on-one assistance. However, John and his wife in Baltimore attended a “one-on-one” session with a Medicare representative in their community who walked them through various options and “made everything clear.” For Barry in Miami, his dentist friend was comfortable going online and using Medicare’s plan comparison website to choose from among the available options to find a plan for him.

**Some called 1-800 Medicare, with mixed success.** Sonia in Baltimore read her *Medicare & You* handbook, concluded she could not figure it out on her own, called 1-800-Medicare, and a representative walked her through different plans. Yet Virginia in Sacramento said that she was unaware of the 1-800-Medicare hotline. Martha in Lincoln decided not to call the toll-free Medicare number because she had heard there were long waits, not enough operators, and poor customer service. Darlene, also from Lincoln, called Medicare but was so frustrated when she encountered a long wait that she just gave up.

**Beneficiaries with adult children said they did not talk to or rely on them for advice about Medicare drug plans.** However, beneficiaries who were married discussed their options with their spouses – many of whom also faced the Medicare drug plan enrollment decision themselves – and relied on each other for help in choosing a plan.

## Drug Plan Features That Were Most Important

**Beneficiaries who enrolled in a Medicare drug plan generally did *not* go through a systematic process of comparing key features of the different plans available to them before choosing their plan.** A few beneficiaries, like Dorothy in Baltimore, describe scenes in their kitchens where they made tables, scanned figures, and compared Part D plans to choose the best and most affordable one. More typically, beneficiaries say they made some basic evaluations and comparisons focused on only one or two plans. This was the case for Darlene in Lincoln, who based her decision on a plan brochure she picked up at Walgreen's that gave her "dollars and cents information" about the plan. Most beneficiaries received a large amount of marketing materials from drug plans in the mail, but did not really read this information. Many just stayed with their current insurer to avoid having to make any decision at all.

**Name recognition and prior experience with the company were the key factors for most beneficiaries in choosing a Part D plan.** Most tended to pick what was familiar or "what works already" even though they might have looked at a few other plans too. This includes Dorothy in Baltimore who did not want to switch from her current Medicare Advantage plan even though she looked into other plans. She did, however, compare the different offerings from her plan to see which one she liked best. Nena and Henry from Miami chose to stay with their current Medicare Advantage plans, because they were satisfied and saw no reason to switch once the company offered a drug plan that they were automatically enrolled in. Mary Alice from Lincoln said that when she looked at other plans they "all looked the same really" and so she just stayed with her current insurer. Even a few who were not satisfied with their current plans stayed with the company just to avoid having to make a choice among all the other plans.

**Choice generally does not appear to be based on strong preferences for particular plan features (as opposed to particular companies).** Until pressed to explain their decision, beneficiaries usually did not say they had a particular plan feature in mind that was most important to them or that guided their decision. When probed, however, beneficiaries most often mention cost (in particular, low premiums) and having all their drugs covered. Some also looked for plans with no deductible or without the doughnut hole.

## Early Experiences in Medicare Drug Plans

**Choosing a plan appears to have been more of a problem for beneficiaries than using their Part D plans once enrolled.** A number of them say that they are satisfied. “So far, so good” is the attitude of these beneficiaries. They comment that they are saving money already, such as Barry in Miami and Sonia in Baltimore. Some also say they are still able to get all their brand-name drugs, and a few say these drugs are cheaper through their Part D plan than before. Some say they expected hassles and problems but are glad to report this has not been the case.

**Most beneficiaries have only minimal experience using their plans, however, and some do not know the details of their plans.** This includes Doris from Baltimore who does not know the name of her Part D plan and says her coverage is “so confusing, I don’t know much about it,” and Virginia in Sacramento who is unaware if her plan has a deductible or what her copayments will be. Most do not seem concerned about their knowledge gaps and, like Mary Alice in Lincoln, just hope that “things will work themselves out.”

**Yet some beneficiaries have already experienced problems with their Part D plans.** A number say that their plans have been “slow” to process their enrollment information. For some this meant having to prove their coverage at the pharmacy with a letter from the plan since they still did not have their enrollment cards. For Barry in Miami, however, this meant he had to pay out of pocket for his medications for the first month that he expected to be using his new coverage.

**Others have been surprised to learn that key drugs they take are not covered by their Part D plans.** This happened to Dorothy in Baltimore who is now paying out of pocket for one of her brand-name drugs. Malcolm in Miami found out that his new plan does not cover Zocor and appealed unsuccessfully to his plan to cover the drug. He was switched to Lipitor but is worried this drug will not work as well for him as Zocor did. Sonia in Baltimore is confused about whether an important brand-name medication she takes is considered a “preferred” or “non-preferred” drug and is waiting to hear back from her new plan on how much she will need to pay.

**A few beneficiaries are not realizing the savings they had hoped for when they joined their Part D plan.** This is the case with Henry in Miami, who is paying more for his medications (particularly his diabetes medicine) now than before. Henry’s attitude is “nothing I can do about it.” Even Barry in Miami, who says he is saving money with his new plan, worries that he will fall into the doughnut hole and that all of his savings from having no deductible and lower copayments will go to paying these costs. He says, it’s “a little discouraging because of the gap.” Others think they will pay about the same as before.

**A few have also experienced communication problems with their new plans.** Darlene in Lincoln said that she never received any enrollment information from her new Part D plan and is still waiting. Virginia in Sacramento described her plan’s customer service representatives as “rude” after interacting with at least two different representatives over problems with her new plan.

## Overall Impressions of Medicare Part D So Far

**Some beneficiaries are “converts” to Medicare Part D.** In their own words, “things have worked out better than I thought.” Their worries and fears, so strong in the fall before signing up for the new drug benefit, have mostly dissipated. This is certainly true of John and Sonia, both from Baltimore, and Barry from Miami. Among the most frustrated and concerned about the Part D drug benefit prior to the start of the enrollment period, all three are now surprisingly positive about their Part D plans and the enrollment process.

**Many feel the Part D program is too confusing and needs revamping.** Ralph in Baltimore, Virginia in Sacramento, and Marilyn in Miami all feel this way. They want the program simplified with fewer plan choices. They also want better communications from the government about the different drug plans and which ones might be best for them. Leroy from Baltimore complains that too much information is sent out by plans and from Medicare which is not really helpful. And Maxine in Lincoln feels the information available about Medicare Part D is too difficult for the average beneficiary to understand. John and Ralph, both in Baltimore, say they are concerned about “other” seniors who are more vulnerable or confused and who may not be able to sort through all the choices to make good decisions. Henry from Miami feels that insurance plans are “preying on old people to get them to sign up.”

**Many say they have been hearing negative stories about Medicare Part D in the news.** Most of what they hear is about how confusing Part D is and how frustrated seniors are. This media coverage does not seem to have an effect on beneficiaries who have made their choices and enrolled in a Part D plan, and are themselves content. If they were already experiencing problems with their plans or unsure about how their plans would work, then they seemed more inclined to think these stories were an accurate reflection of reality. For beneficiaries who do not intend to enroll in a Part D plan, like Lorraine and Ralph in Baltimore, these stories reinforce their negative views.

**Many beneficiaries are not sure who to trust on Medicare Part D.** While many turned to a friend, a family member, or a health professional to help them choose a plan, beyond that they are unsure who is trustworthy. They are not sure anyone is on their side. Marilyn in Miami said she is skeptical of pharmacists. Henry, also in Miami, feels insurance companies are not to be trusted. Martha from Lincoln does not trust drug companies and Barry in Miami believes that the government makes things more complicated than they need to be.

**What is clear is that most of the beneficiaries are much better informed about Medicare Part D in early 2006 than they were in the fall of 2005.** Most have paid attention to this issue in the newspaper or on TV, talked with their spouses and their friends, and have resolved the question of whether or not to enroll in a Part D plan. This has given them more certainty about their positions and opinions, and more security in their choices.

## Looking Ahead

**While many of the beneficiaries feel that things are okay for now, in the back of their minds they have worries.** John in Baltimore says that he has a “wait and see” attitude to see if things continue to go smoothly with his new Part D plan. Malcolm in Miami is concerned about the doughnut hole and whether his costs will be low enough to avoid it. If not, then he feels his savings from enrolling in a Part D plan will be lost. Malcolm also knows his drug needs may change and that this could affect how well his Part D plan works for him. Whether enrolled in a Part D plan or not, many beneficiaries are anxious about rising drug costs. This is true for Henry in Miami who has enrolled in a Part D plan, as well as Marilyn, also in Miami, who decided not to enroll.

**Some beneficiaries are concerned about the future of the Medicare program overall.** Martha in Lincoln feels that Part D is just the beginning of changes to Medicare, and she anticipates that there will be more choices ahead. Like many other beneficiaries, she likes the “old” Medicare and is worried about too many changes. Some beneficiaries, like Darlene and Dorothy in Lincoln, are concerned that Medicare will not be able to afford Part D over the long term and so they are worried about the sustainability of the Medicare program.

## About the “Voices of Beneficiaries” Project

The Kaiser Family Foundation commissioned the bipartisan research team of Lake Research Partners and American Viewpoint to conduct a series of structured interviews with a diverse group of Medicare beneficiaries. The goal is to better understand beneficiaries’ experiences as they approach and progress through the first year of the new Medicare Part D drug benefit. Beneficiaries with different drug coverage sources are included in this project, including 10 dually eligible individuals (those enrolled in both Medicaid and Medicare). The interviews try to capture the range of experiences that individuals face as they initially learn about, make enrollment decisions about, and experience Medicare’s new drug benefit. The 35 men and women participating in this project range in age from 47 to 85 years old, have varying incomes and health conditions, and rely to varying degrees on prescription drugs to maintain their health.

Individuals in this study live in four cities across the country: Baltimore, Maryland; Lincoln, Nebraska; Miami, Florida; and Sacramento, California. Two rounds of interviews have taken place so far. The first round of interviews was conducted in person in late October/early November 2005 just as beneficiaries were learning about the Part D benefit and prior to the start of the initial enrollment period. The second round of interviews occurred in March 2006 by telephone with 31 of the beneficiaries, including the 10 dual eligibles, to learn about their enrollment decisions and experiences. At least two more rounds of interviews will occur with participants to continue to learn about their experiences with Medicare Part D.

This report is the second in a series of reports based on findings from this project. The first report, *Profiles of Medicare Beneficiaries With Medicaid Drug Coverage Prior to the Medicare Drug Benefit* (December 2005), profiled four study participants who are dually eligible for Medicare and Medicaid to provide greater insights into their circumstances as the new Medicare drug benefit went into effect. These four profiles, based on the first round interviews, focus on the economic and health circumstances of these beneficiaries, and their knowledge and attitudes towards the then-upcoming changes to their Medicare and Medicaid benefits. The report is available at [www.kff.org/medicaid/kcmu121905pkg.cfm](http://www.kff.org/medicaid/kcmu121905pkg.cfm).



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